

Expenditure Limitation Revision Bill House File 2545

Last Action:

**House Appropriations
Committee**

March 17, 2004

An Act relating to State budget requirements involving the State General Fund expenditure limitation and the Iowa Economic Emergency Fund, and providing effective dates.

**Fiscal Services Division
Legislative Services Agency**

NOTES ON BILLS AND AMENDMENTS (NOBA)

Available on line at <http://www3.legis.state.ia.us/noba/index.jsp>

LSA Contact: David Reynolds (16934)

**EXECUTIVE SUMMARY
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 2545
EXPENDITURE LIMITATION REVISION BILL**

**EXPENDITURE LIMITATION FOR
EXTRAORDINARY LEGISLATIVE
SESSION**

ECONOMIC EMERGENCY FUND

EFFECTIVE DATE

- Requires the General Assembly and the Governor to use the December revenue estimate established by the Revenue Estimating Conference (REC) for enacting a budget during an extraordinary legislative session. If the REC agrees to a lower estimate in a later meeting, the General Assembly and the Governor are required to use the lower estimate during an extraordinary session. (Page 1, Line 1)
- Increases the maximum balance for the Economic Emergency Fund from 2.5% to 5.0% of the adjusted revenue estimate. The increase to the maximum balance is effective on July 1 following the date that all of the required transfers to the Senior Living Trust Fund and the Endowment for Iowa's Health Account have been completed. (Page 2, Line 2 and Page 2, Line 27)
- Provides that the sections of this Bill related to applicability of the expenditure limitation to an extraordinary session is effective up on enactment. (Page 3, Line 1)

House File 2545

House File 2545 provides for the following changes to the Code of Iowa.

| Page # | Line # | Bill Section | Action | Code Section | Description |
|--------|--------|--------------|---------|--|--|
| 1 | 1 | 1 | Amends | Sec. 8.22A(3), Code Supplement 2003 | Extraordinary Session Expenditure Limitation |
| 1 | 24 | 2 | Amends | Sec. 8.54(2) | Extraordinary Session Expenditure Limitation |
| 2 | 2 | 3 | Amends | Sec. 8.55(2)(a) | Economic Emergency Fund Balance Increase |
| 2 | 12 | 4 | Repeals | 8.55(2)(c), Code Supplement 2003 | Technical Correction |
| 2 | 14 | 5 | Amends | 8.57(1A)(c & d), as amended by HF 2039 | Conforming Language Change |

1 1 Section 1. Section 8.22A, subsection 3, Code Supplement
1 2 2003, is amended to read as follows:
1 3 3. By December 15 of each fiscal year the conference shall
1 4 agree to a revenue estimate for the fiscal year beginning the
1 5 following July 1. That estimate shall be used by the governor
1 6 in the preparation of the budget message under section 8.22
1 7 and by the general assembly in the budget process. If the
1 8 conference agrees to a different estimate at a later meeting
1 9 which projects a greater amount of revenue than the initial
1 10 estimate amount agreed to by December 15, the governor and the
1 11 general assembly shall continue to use the initial estimate
1 12 amount in the budget process for that fiscal year. However,
1 13 if the conference agrees to a different estimate at a later
1 14 meeting which projects a lesser amount of revenue than the
1 15 initial estimate amount, the governor and the general assembly
1 16 shall use the lesser amount in the budget process for that
1 17 fiscal year. As used in this subsection, "later meeting"
1 18 means only those later meetings which are held prior to the
1 19 conclusion of the regular session of the general assembly and,
1 20 if the general assembly holds an extraordinary session prior
1 21 to the commencement of the fiscal year to which the estimate
1 22 applies, those later meetings which are held before or during
1 23 the extraordinary session.

1 24 Sec. 2. Section 8.54, subsection 2, Code 2003, is amended
1 25 to read as follows:
1 26 2. There is created a state general fund expenditure
1 27 limitation for each fiscal year ~~beginning on or after July 1,~~
1 28 ~~1993,~~ calculated as provided in this section. An expenditure
1 29 limitation shall be used for the portion of the budget process
1 30 commencing on the date the revenue estimating conference
1 31 agrees to a revenue estimate for the following fiscal year in
1 32 accordance with section 8.22A, subsection 3, and ending with
1 33 the governor's final approval or disapproval of the
1 34 appropriations bills applicable to that fiscal year that were
1 35 passed prior to July 1 of that fiscal year in a regular or
2 1 extraordinary legislative session.

CODE: Requires the General Assembly and the Governor to use the December revenue estimate established by the Revenue Estimating Conference (REC) for enacting a budget during an extraordinary legislative session. If the REC agrees to a lower estimate in a later meeting, the General Assembly and the Governor are required to use the lower estimate during an extraordinary session.

DETAIL: Section 7 of this Bill makes this provision effective on enactment.

CODE: Specifies that an expenditure limitation shall be used for both a regular and an extraordinary legislative session.

2 2 Sec. 3. Section 8.55, subsection 2, paragraph a, as
2 3 enacted by 2002 Iowa Acts, Second Extraordinary Session,
2 4 chapter 1001, section 25, and as made effective by 2003 Iowa
2 5 Acts, chapter 179, section 40, is amended to read as follows:
2 6 a. The maximum balance of the fund is the amount equal to
2 7 ~~two and one-half~~ five percent of the adjusted revenue estimate
2 8 for the fiscal year. If the amount of moneys in the Iowa
2 9 economic emergency fund is equal to the maximum balance,
2 10 moneys in excess of this amount shall be transferred to the
2 11 general fund.

CODE: Increases the maximum balance for the Economic
Emergency Fund from 2.50% to 5.00% of the adjusted revenue
estimate.

2 12 Sec. 4. Section 8.55, subsection 2, paragraph c, Code
2 13 Supplement 2003, is amended by striking the paragraph.

CODE: Technical correction. Repeals language that requires
\$118,000,000 of surplus General Fund revenues to be deposited in
the Senior Living Trust Fund.

DETAIL: House File 2039 (98.00% Expenditure Limitation Act)
amended statutory language to require the surplus revenues be
transferred to the Senior Living Trust Fund before the funds flow
through the Economic Emergency Fund.

2 14 Sec. 5. Section 8.57, subsection 1A, paragraphs c and d,
2 15 as enacted by 2004 Iowa Acts, House File 2039, section 3, are
2 16 amended to read as follows:

2 17 c. The appropriation made in paragraph "a" shall continue
2 18 until the aggregate of the appropriations made or transferred
2 19 to the senior living trust fund pursuant to paragraph "a" of
2 20 ~~this subsection and section 8.55, subsection 2, paragraph "c",~~
2 21 is equal to one hundred eighteen million dollars.

2 22 ~~d. The aggregate amount of the appropriations to be~~
2 23 ~~transferred from the Iowa economic emergency fund to the~~
2 24 ~~senior living trust fund pursuant to section 8.55, subsection~~
2 25 ~~2, paragraph "c", shall be reduced by the appropriations made~~
2 26 ~~pursuant to paragraph "a" of this subsection.~~

CODE: Makes a conforming change to HF 2039 (98.00%
Expenditure Limitation Act) associated with the transfer of surplus
revenues to the Senior Living Trust Fund.

2 27 Sec. 6. CONTINGENT EFFECTIVE DATE. The section of this

Provides that the increase to the maximum balance of the Economic
Emergency Fund from 2.50% to 5.00% is effective on July 1 following

2 28 Act amending Code section 8.55, subsection 2, paragraph "a",
 2 29 takes effect on July 1 of the fiscal year immediately
 2 30 following the fiscal year in which all transfers have been
 2 31 made from the Iowa economic emergency fund, in the aggregate
 2 32 amount required by section 8.55, subsection 2, paragraphs "b"
 2 33 and "d", Code Supplement 2003. The director of the department
 2 34 of management shall notify the Iowa Code editor when the
 2 35 transfers have been made.

the date that all of the required transfers to the Senior Living Trust Fund and the Endowment for Iowa's Health Account have been completed.

DETAIL: Under current law, the Senior Living Trust Fund is to receive \$118,000,000 and the Endowment for Iowa's Health Account is to receive \$101,751,000 from the General Fund surplus revenues.

3 1 Sec. 7. IMMEDIATE EFFECTIVE DATE. The sections of this
 3 2 Act amending sections 8.22A and 8.54, being deemed of
 3 3 immediate importance, take effect upon enactment.

Provides that the sections of this Bill related to applicability of the expenditure limitation to an extraordinary session is effective on enactment.

3 4 EXPLANATION

3 5 This bill relates to state budget requirements for the
 3 6 state general fund expenditure limitation and the Iowa
 3 7 economic emergency fund.
 3 8 Code section 8.22A, relating to the revenue estimating
 3 9 conference, is amended. This Code section requires that by
 3 10 December 15 of each fiscal year the conference must make an
 3 11 estimate for the following fiscal year and that this estimate
 3 12 must be used by the governor and the general assembly in the
 3 13 budget process for the following fiscal year. The Code
 3 14 section by definition provides that if, at a later meeting of
 3 15 the conference held prior to the conclusion of the regular
 3 16 session of the general assembly, the conference agrees to a
 3 17 different estimate of a lesser amount of revenue, the lesser
 3 18 amount is to be used in the budget process. The expenditure
 3 19 limitation statute in Code section 8.54 provides for the
 3 20 different estimate to be used in calculating the expenditure
 3 21 limitation.
 3 22 The bill amends Code section 8.22A to provide that if the
 3 23 general assembly holds an extraordinary session prior to the
 3 24 commencement of the fiscal year for which the estimate
 3 25 applies, then an estimate of a lesser amount of revenue agreed
 3 26 to at a meeting of the revenue estimating conference held

3 27 prior to or during the extraordinary session would be required
3 28 to be used in the budgeting process. The expenditure
3 29 limitation would also be adjusted. This section of the bill
3 30 takes effect upon enactment.
3 31 The bill amends Code section 8.54, relating to the
3 32 expenditure limitation, to specify the budget process time
3 33 period in which the limitation is to be used. The bill
3 34 provides that the time period commences on the date the
3 35 revenue estimating conference agrees to the revenue estimate
4 1 used by the governor and general assembly for the following
4 2 fiscal year and ends with the governor's final approval or
4 3 disapproval of the appropriations bills applicable to that
4 4 fiscal year that were passed prior to July 1 of that fiscal
4 5 year in a regular or extraordinary legislative session.
4 6 Code section 8.55, relating to the Iowa economic emergency
4 7 fund, is amended to strike duplicative language providing for
4 8 transfer of moneys to the senior living trust fund and to
4 9 increase the maximum balance of the fund from 2.5 percent to 5
4 10 percent of the adjusted revenue estimate for the fiscal year.
4 11 Currently, Code section 8.55 provides for transfer of \$118
4 12 million from the Iowa economic emergency fund to the senior
4 13 living trust fund. In 2004 Iowa Acts, House File 2039, the
4 14 \$118 million is provided under Code section 8.57 as the
4 15 initial allocation of the ending balance of the general fund
4 16 of state.
4 17 The change to increase the percentage used for the maximum
4 18 balance of the Iowa economic emergency fund has a contingent
4 19 effective date of July 1 of the fiscal year immediately
4 20 following the fiscal year in which the transfers from the fund
4 21 have been made in the required aggregate amount. Under
4 22 existing law in Code section 8.55, unless reduced by other
4 23 transfers, an aggregate of \$141,751,000 is to be transferred
4 24 to the endowment for Iowa's health account of the tobacco
4 25 settlement trust fund once the Iowa economic emergency fund
4 26 reaches the maximum balance.
4 27 LSB 6492HV 80
4 28 jp/pj/5

PG LN

House File 2545

Explanation
